

OPENING STATEMENT BY REP. JULIA CARSON (D-IN)
FINANCIAL SERVICES FULL COMMITTEE HEARING
ANNUAL TESTIMONY OF THE TREASURY SECRETARY
ON THE INTERNATIONAL FINANCIAL SYSTEM

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- I would also like to thank today's witness, Secretary O'Neill, for being with us to discuss issues of importance regarding the international financial institutions. From what I understand, your comments today will focus on the policies of the World Bank and IMF.
 - I can think of no better topic on which to focus a hearing, Mr. Secretary. Given the huge amounts of U.S. taxpayer dollars spent, as well as the millions of lives affected by World Bank and IMF programs and policies, the topic of this hearing carries much weight here in our own country and around the world.
 - I would like to briefly explain some of my biggest concerns as they relate to reform of the international monetary institutions.
 - Mr. Secretary, I am concerned about the need to focus the missions of the World Bank and IMF.
 - As we all know, the World Bank was established specifically to provide development assistance, first to Europe and later on to developing countries in other regions.

At this time, Mr. Secretary, too many World Bank loans go to countries who already have significant access to private capital. This money should be redirected to fund 100% debt cancellation to poor countries, and for grants that go towards poverty reduction projects.

- The IMF on the other hand, was created to promote international financial stability through orderly exchange rates, a sound multilateral system of payments and temporary assistance to members with balance of payments problems.
- Unfortunately, the IMF has strayed far from its founding mission and today provides long-term, highly concessional loans conditioned upon the willingness of a country to restructure their economy.

- I am in agreement with the Meltzer Commission's unanimous recommendation that the IMF should return to its core mission by restricting its lending to short-term liquidity needs and discontinuing long term, concessional loans for poverty reduction and other programs.
- Unfortunately, the recent GAO report on IMF reform indicates that the IMF has no intention of making this transition, or of giving up its heavy-handed involvement in countries' economies.
- Mr. Secretary, I applaud your interest in supporting programs that produce better economic growth for poor countries. Clearly, previous World Bank and IMF policies have not been successful in this regard.
- At the same time, we are all aware that economic growth does not mean sustainable growth. Increased productivity will not automatically translate into a higher standard of living for the poor majorities in the developing world.
- As a Committee, we must look at ways to ensure that poverty reduction is our emphasis and not just the rhetoric of the day. How do we show that we are committed to this principle:
 - 1) Prohibit the World Bank and IMF from including user fees as conditions for loans and grants.
 - 2) Work to secure 100% multilateral debt cancellation for the world's poorest countries.
 - 3) Prohibit the World Bank and IMF from requiring poor countries to restructure their economies and privatize public goods in ways that harm the poor.
- As you are aware, last year language was included in the Foreign Operations Conference report to eliminate World Bank and IMF-promoted "user fees."
- This language requires the U.S. to oppose any World Bank, IMF or regional development bank loan or debt relief agreement that includes user fees or other charges for primary education or primary health care.
- I read in your May 15 testimony before the House Foreign Operations Subcommittee, that you advocate expanding and improving education as an integral part of increasing productivity and economic growth.
- Mr. Secretary, your desire to increase educational access for people in the developing world cannot be achieved through the reinstatement of user fees, which is called for in the FY 2002 Budget Proposal.
- User fees have been shown to reduce poor families' access to vital education and health services.

- In impoverished nations in Africa, school fees to attend public primary schools or clinic fees for primary health services have kept millions of children out of school and left millions of people without access to the most basic health care. When Uganda recently eliminated school fees in 1998, the primary school enrollment rate climbed from 50% to 90%.
- The ability of all children to attend schools is a critical component of national development. Furthermore, at a time when 7,000 people are dying daily of AIDS in Sub-Saharan Africa, I hope that the Administration will focus its efforts on increasing, as opposed to decreasing, poor peoples' access to basic health services.
- Although we support the Administration's recent announcement of \$200 million for the global fight against AIDS, we question why the Administration would support policies in its FY 2002 Budget that clearly decrease access to programs that slow the spread of HIV/AIDS.
- I urge you to support Section 596 and to support the extension of it to include actions by government agencies other than Treasury, particularly USAID.
- Third, Mr. Secretary, it is imperative that we address the crisis of debt that continues to cripple the lives of people living in the developing world.
- Furthermore, this debt undermines the ability of national governments to address the educational and health needs of poor people.
- The Meltzer Commission was unanimous in its recommendation that all IMF, World Bank, and other multilateral debt held by heavily indebted countries should be forgiven.
- It would cost the World Bank \$215 million annually and the IMF \$215 annually to cancel the debts of the 22 countries who have already started to receive debt relief under the **HIPC Initiative**.
- It would cost an additional \$353 million annually for the World Bank, and \$368 million annually for the IMF to fully fund debt cancellation to the 14 countries included under **HIPC** who have yet to receive any debt relief.
- The World Bank has been averaging an annual profit of \$2 billion.
- The IMF has \$3.4 billion in its reserve account for the "Poverty Reduction and Growth Facility."
- If we are truly committed to supporting poverty reduction policies, then we should request that this money be used for full debt cancellation for the world's poorest and most heavily indebted countries.

- Finally, Mr. Secretary, it is my hope that during this year, the policies we advocate through **HIPC**, the World Bank and the IMF, the HIV/AIDS Global Trust Fund, as well as our policies on user fees and privatization policies will begin to compliment, rather than undermine one another.
- At this time, we are asked to authorize additional money for HIV/AIDS at the same time that the Administration is proposing to reinstate user fees. Mr. Secretary, this policies contradict one another and undermine the intentions of each program.
- At the same time, the correlation between high debt burdens and high rates of HIV/AIDS is a real one. Until countries in Sub-Saharan Africa are granted full bilateral and multilateral debt relief, they will continue to be drained of the very resources they need to respond to the AIDS crisis, no matter how much money is pumped into the global HIV/AIDS fund.